

Message Text

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ACTION EB-11

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E.O. 11652: N/A

TAGS: ETRD, PFOR, AR, CU

SUBJ: CUBA TRADE: GOODYEAR TIRE PROBLEM

1. A SENIOR EXECUTIVE OF ARGENTINE SUBSIDIARY OF GOODYEAR TIRE COMPANY INFORMED EMBASSY OF MAJOR PROBLEM NOW BEING FACED BY GOODYEAR.

2. GOODYEAR ASSUMES THAT SOME OF ITS TIRES WIL BE, OR PERHAPS ALREADY HAVE BEEN, MOUNTED ON TRACTORS FOR EXPORT TO CUBA, SINCE FIAT IS REGULAR PURCHASER OF GOODYEAR TRACTOR TIRES. THERE ARE INSUFFICIENT TRACTOR AND HEAVY TRUCK TIRES AVAILABE FROM OTHER ARGENTINE TIRE MANUFACTURERS TO PROVIDE FOR VEHICLES ORDERED BY CUBA. THE ONLY OTHER MAJOR SOURCE IS FIRESTONE. HOWEVER, GOODYEAR IS BY FAR ARGENTINA'S LARGEST MANUFACTURER OF TRACTOR TIRES. IN ADDITON GOODYEAR IS THE ONLY ARGENTINE MANUFACTURER OF FAN BELTS FOR SUCH VEHICLES. GOODYEAR OF ARGENTINE MANUFACURES LARGE PERCENTAGE OF TRACTOR AND HEAVY TRUCK TIRES, NOT ONLY FOR US AUTOMOTIVE SUBSIDIARIERS, BUT ALSO FOR EUROPEAN AUTOMOTIVE SUBSIDIARIES. SOME OF THE LATTER COMPANIES HAVE RECEIVED SIZEABLE ORDERS FROM CUBA, ESPECIALLY FIAT TRACTORS.

3. ALTHOUGH GOODYEAR HAS NO DEFINITE AND SPECIFIC KNOWLEGE
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THAT ITS TIRES HAVE BEEN EXPORTED TO CUBA BY VEHICLE

MANUFACTURERS, THEY NATURALLY WISH AVOID VIOLATION OF US REGULATIONS. GOODYEAR REPRESENTATIVES IN WASHINGTON APPROACHED DEPARTMENT OF TREASURY (OFFICE OF COORDINATOR OF CUBAN AFFAIRS) TO SEEK LICENSE TO PERMIT THEM TO PROVIDE TIRES FOR VEHICLES BEING EXPORTED TO CUBA BY OTHER COMPANIES THAN THE THREE SUBSIDIARIES OF US AUTOMOTIVE MANUFACTURERS FOR WHICH LICENSES HAVE ALREADY BEEN GRANTED. GOODYEAR REPRESENTATIVE TOLD US THAT WHILE NO DEFINITE ANSWER HAS BEEN FORTHCOMING, THEY FEAR THAT DECISION LIKELY TO BE NEGATIVE.

4. GOODYEAR BELIEVES THAT ONLY WAY TO ABSOLUTELY ASSURE THEMSELVES THAT THEIR TIRES NOT BEING EXPORTED TO CUBA WOULD BE TO STOP SELLING TO COMPANIES KNOWN TO BE EXPORTING VEHICLES TO CUBA. THIS WOULD STOP FIAT PRODUCTION OF TRACTORS FOR DOMESTIC USE AND EXPORT UNLESS TRACTOR TIRES COULD BE FOUND FROM SOME OTHER SOURCE. WE UNDERSTAND THERE IS EXTREME WORLD WIDE SHORTAGE OF SUCH TIRES.

5. CONSEQUENCES OF GOODYEARS SUBSIDIARYS REFUSAL TO SELL TIRES OR FAN BELTS TO FIAT AND OTHERS WHO MAY SELL A PORTION OF THEIR PRODUCTION EXPORT TO CUBA ARE LIKELY TO BE SERIOUS. THE LEAST THAT WOULD HAPPEN IN OUR VIEW IS ANY GOOD WILL GAINED BY US GRANTING EXCEPTION ON AUTOMOBILE EXPORT CASE WOULD BE LOST AND THERE WOULD BE RETALIATION AGAINST US BUSINESS INTERESTS. GOODYEAR FEELS THERE WOULD BE DEFINITE DANGER OF EXPROPRIATION POSSIBLY WITH PAYMENT LARGELY IN LONG TERM NON NEGOTIABLE BONDS. WE DO NOT BELIEVE GOODYEARS FEARS TO BE AT ALL FARFETCHED.

6. EMBASSY SUGGESTS WASHINGTON AGENCIES CONSIDER GIVING GOODYEAR OFFICIALS IN US ASSURANCES THAT SALES OF TIRES BY SUBSIDIARY IN ARGENTINA TO ARGENTINE VEHICLE MANUFACTURING PLANTS WILL NOT BE CONSTRUED AS CONTRAVENING REGULATIONS DENYING TRANSACTIONS WITH CUBA.
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